

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

AMEMBASSY SANTO DOMINGO

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FOLLOWING REPEAT MEXICO 3140 ACTION SECSTATE INFO LONDON NASSAU

APR 11

QUOTE

LIMITED OFFICIAL USE MEXICO 3140

E.O. 11652: N/A

TAGS: ETRD, EAGR, MX, XM

SUBJECT: SUGAR: MEXICAN VIEWS ON PUERTO PLATA AGENDA

DEPT PLEASE PASS ALL ARA DIPLOMATIC POSTS

REFS: A) SANTO DOMINGO 1580; B) MEXICO 3106;

C) STATE 061168

1. SUMMARY: MEXICAN OFFICIAL CONFIRMED APRIL 11 THAT GOM DOES NOT FAVOR SUGAR PRICE MAINTENANCE SCHEMES, CONSIDERING THEM UNWORKABLE. STATED PRICE MAINTENANCE NOT ON PUERTO PLATA AGENDA, AND THAT PROPOSALS NOT FAVORED BY MAJORITY LA PRODUCERS. OUTLINED TENTATIVE AGENDA, AND REITERATED THAT MEETING WAS TO EXCHANGE INFORMATION AND IDEAS, AND DEFINITELY NOT INTENDED TO BE "CONFRONTATIONAL" WITH U.S. OR OTHER CONSUMERS.

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END SUMMARY.

2. EMBECONOFF CALLED TODAY ON OFFICIAL MEXICAN SUGAR PRODUCERS ASSOCIATION (UNPASA) TO DISCUSS MEXICAN VIEWS ON PUERTO PLATA AGENDA WITH PARTICULAR EMPHASIS PRESS REPORTS REF B AND PRICE MAINTENANCE QUESTIONS REFS A AND C.

3. OFFICIAL (PEDRO ESPINOSA, EXPORT MANAGER UNPASA) CONFIRMED UNEQUIVACALLY THAT MEXICO DOES NOT SUPPORT ANY PLAN FOR SUGAR PRICE MAINTENANCE BY PRODUCERS, DESCRIBING ANY SUCH IDEA AS UNWORKABLE, ONE WHICH WOULD NOT ENJOY WIDE SUPPORT AMONG LA PRODUCERS. ALTHOUGH SOME "POLITICIANS" AT PUERTO PLATA MAY RAISE ISSUE FOR PRESS CONSUMPTION, ESPINOSA STATED THAT PRICE MAINTENANCE WAS NOT EVEN ON AGENDA. IF PROPOSAL IS DISCUSSED, MEXICO WILL NOT SUPPORT IT, HE ADDED.

4. WHEN ASKED BY EMBOFF FOR AGENDA SPECIFICS, ESPINOSA SAID THAT CREATING "PERFECT KNOWLEDGE" MARKET CONDITIONS AMONG LA PRODUCERS WAS PRIMARY GOAL, IN VIEW FACT THAT MANY SMALLER LA PRODUCERS SOMETIMES MAKE UNFAVORABLE DEALS DUE TO LACK OF KNOWLEDGE DAY-TO-DAY MARKET CONDITIONS. ANOTHER AGENDA ITEM WILL CONCERN FREE EXCHANGE OF RESEARCH AND DEVELOPMENT IN SUGAR CANE INDUSTRY, AS IT IS FELT THERE IS MUCH OVERLAP IN CURRENT NATIONAL RESEARCH EFFORTS TO IMPROVE YIELDS. THUS, ESPINOSA CONCLUDED, MAIN PURPOSE OF PUERTO PLATA MEETING COULD BEST BE SUMMED UP AS AN ATTEMPT AT BETTER COMMUNICATIONS.

5. ON PRICE QUESTION, ESPINOSA (WHO DOES NOT MAKE ALVAREZ CLAIM OF OMNISCIENCE) NOTES THAT MAJOR REFINERS HAVE BEEN COMING INTO MARKET OVER PAST THREE WEEKS AT TWENTY-FIVE CENT PER POUND LEVEL, AND MEXICAN PRICE ANALYSIS SUGGESTS THAT EQUILIBRIUM LEVEL OVER NEXT WEEKS, AND PERHAPS MONTHS, WILL FLUCTUATE SLIGHTLY AROUND TWENTY TO TWENTY-FIVE CENTS.

6. MEXICAN SUGAR POLICY, ESPINOSA SAID, IS CONGRUENT LIMITED OFFICIAL USE

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WITH MEXICAN COFFEE POLICY, AND HE CITED RECENT VISIT OF FAUSTO CANTU PENA, HEAD OF MEXICAN COFFEE INSTITUTE TO DISCUSS AREAS OF COOPERATION WITH SENIOR STATE DEPARTMENT OFFICIALS IN WASHINGTON LAST WEEK. (COMMENT: EMBASSY IS INTERESTED IN RECEIVING FURTHER INFORMATION THESE TALKS.) MEXICO DOES NOT SEEK CONFRONTATION WITH THE U.S., EUROPE, JAPAN, OR ANY OTHER DEVELOPED COUNTRIES ON SUGAR QUESTION, HE

REITERATED, BUT DOES FEEL STRONGLY THAT DEVELOPED COUNTRIES (WHO ARE PRINCIPAL PURCHASERS) HAVE OBLIGATION TO NEGOTIATE IN GOOD FAITH QUESTION REASONABLE PRICE STABILITY, ESPECIALLY IF IN FUTURE SUGAR PRICES FALL PRECIPITOUSLY.

7. COMMENT: (A) BASED ON ABOVE, WE BELIEVE THAT ALVAREZ PROBABLY MIS-INTERPRETED CANO'S CONVERSATIONS WITH HIM ON QUESTION GOM SUPPORT FOR UNILATERAL PRICE MAINTENANCE SCHEME. ALL EVIDENCE AVAILABLE TO US (INCLUDING RECENT AGATT DISCUSSIONS AT TECHNICAL LEVEL UNPASA AND APRIL 11 CONVERSATION REPORTED ABOVE) SUGGESTS THAT MEXICO DOES NOT SUPPORT INCLUSION PRICE MAINTENANCE QUESTION IN PUERTO PLATA AGENDA. MEXICANS ARE PUT OFF BY SCHEME IN PART BECAUSE OF QUESTION STOCKPILE FINANCING (WHO PAYS?), TRIGGER MECHANISM FOR STOCKPILE RELEASE, AND OTHER TECHNICAL PROBLEMS. (B) HOWEVER, MEXICO DOES SUPPORT PRICE STABILITY CONCEPT ON NON-CONFRONTATIONAL BASIS, INCLUDING OPENING OF NEGOTIATIONS WITH CONSUMING COUNTRIES WITH VIEW TO MUTUAL-SATISFACTORY INTERNATIONAL SUGAR AGREEMENT. JOVA UNQUOTE KISSINGER

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